

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street
San Francisco, California 94105**

**INITIAL STATEMENT OF REASONS
REGARDING PRIVATE PASSENGER AUTOMOBILE RATES
FOR THE CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN**

RH04036677

May 14, 2004

INTRODUCTION

The California Insurance Commissioner will hold a public hearing to consider the application of the California Automobile Assigned Risk Plan ("CAARP") for approval of increased rates as described below. California Insurance Code Section 11624 requires the Commissioner to approve rates for those obtaining coverage through CAARP. California Code of Regulations, Title 10, Section 2421.10, entitled "Annual Review of Surcharges," requires an annual review of the rates and surcharges. Following the review, CAARP shall recommend to the Commissioner "revision of the Rate Supplement as may be indicated to the end that such rates and added surcharges shall be neither excessive, inadequate or unfairly discriminatory." Accordingly, CAARP has now filed a rate application in which it is proposing an overall average **rate increase of 24.9 percent**. Further details appear in the application on file with the Commissioner and available for review.

STATEMENT OF SPECIFIC PURPOSE

California Insurance Code Section 11620 requires the Commissioner to hold a public hearing before amending the plan. The Commissioner is therefore holding this hearing to consider CAARP's rate change application.

IDENTIFICATION OF STUDIES

The application was prepared by CAARP's actuarial staff. However, other than the application and accompanying Explanatory Memorandum, no studies have been submitted for this proceeding.

SPECIFIC TECHNOLOGIES OR EQUIPMENT

Adoption of the proposed rate change would not mandate the use of specific technologies or equipment.

REASONABLE ALTERNATIVES

The Commissioner has not yet identified reasonable alternatives which would be as effective to carry out the statutory mandate and less burdensome to affected persons, including but not limited to affected small businesses. The Commissioner will accept public comments on alternatives.

ECONOMIC IMPACT ON BUSINESS

The Commissioner has initially determined that the proposed changes will not have a significant adverse impact on businesses. The Commissioner invites interested parties to comments on whether the proposed changes will have a significant adverse economic impact on business.